

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**  
**Prepared on:** August 24, 2004  
**Department Name:** Housing and Community  
Development  
**Department No.:** 055  
**Agenda Date:** September 7, 2004  
**Placement:** Administrative  
**Estimate Time:**  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Edward Moses, Director  
Housing and Community Development

**STAFF CONTACT:** Tim Wong  
ext. 3523

**SUBJECT:** Predevelopment HOME Funding for G & College Apartments, Lompoc (5<sup>th</sup> District)

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**Recommendation(s):**

That the Board of Supervisors:

- A. Find that the Mitigated Negative Declaration that was performed by the City of Lompoc for this affordable housing project, a copy of which is on file with the County Clerk, was considered by the Board of Supervisors and that there is no substantial evidence that the project will have a significant effect on the environment.
- B. Approve the commitment of a predevelopment loan in the amount of \$486,000 in County HOME funding to the Lompoc Housing Assistance Corporation (LHAC) for the predevelopment costs of the G & College Family Apartments in Lompoc
- C. Authorize the Director of Housing and Community Development to execute a Loan Agreement, Deed of Trust and a Regulatory Agreement with the Lompoc Housing Assistance Corporation (LHAC) for the construction of this project, consistent with the terms and conditions detailed in this Board letter and its attachments

**Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with Goal No. 7. Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community

**Executive Summary and Discussion:**

LHAC, the Lompoc Housing Market Area not-for-profit Community Housing Development Organization, has requested a predevelopment loan of \$486,000.00 as part of the total \$1,080,000 commitment in City of Lompoc/County HOME funds to develop 35 units of affordable housing in the City of Lompoc. This is a preconstruction loan due and payable at the end of the three year term. It is anticipated that the \$486,000 preconstruction loan will be rolled into the \$1,080,000 HOME permanent loan. The terms for the permanent loan will be negotiated at a later date.

The project will include 11 two-bedroom, 14 three-bedroom and 10 four-bedroom apartments along with an on-site childcare facility and community center. The project is located at 201-207 East College Street in the City of Lompoc. There are two dilapidated structures with one of the structures occupied by a rental household. As part of the condition of loan approval, all relocation requirements must be adhered to prior to loan disbursement.

Total property acquisition costs, including demolition and development costs, are \$9,154,723. The predevelopment loan will pay for the architect's costs in preparing the design and working drawing for the project and other soft costs. The total funding breakdown is comprised of:

Cal HFA loan	\$1,910,000
City/County HOME funding	\$1,080,000
State Multifamily Housing Program	\$2,362,046
Federal Home Loan Bank Affordable Housing Program	\$210,000
Investor Capital Contributions	\$3,094,962
GP Equity	\$406,303
Deferred Developer Fee	<u>\$91,412</u>
TOTAL	\$9,154,723

At this time, federal NEPA requirements for the project have been met, and other federal overlay requirements which come into play with acquisition and construction projects, including Uniform Relocation Act requirements. Consequently, the project is at a stage of readiness appropriate for the County to move forward with its HOME funding commitment.

The Santa Barbara County Affordable Housing Loan Committee recommended approval to fund this HOME loan on July 1, 2004, subject to the following conditions, which are also incorporated into the attached loan agreement and related documents.

- ⌘ That the County funding be in the form of a 3% interest, deferred loan due and payable three years from the date of execution of the loan agreement,
- ⌘ That the County loan be in third position, subordinate only to the Federal Affordable Housing Program and State Multifamily Housing Program,
- ⌘ That the preconstruction loan be rolled in the to future permanent loan with amortized terms to be negotiated at that time,
- ⌘ Submittal, review and County approval of tenant displacement files including documentation that relocation notices have been sent out to the tenants prior to loan disbursement.
- ⌘ The Applicant will submit a signed commitment to sell the property and repay the predevelopment loan funds if the project does not move forward.
- ⌘ The Applicant shall submit documentation of current debt against the property..

At the end of the three year term, it is anticipated that that the \$486,000 preconstruction loan will be rolled into the \$1,080,000 HOME permanent loan.

**Mandates and Service Levels:**

No changes to programs or service levels.

**Fiscal and Facilities Impacts:**

This project will increase the supply of affordable housing for persons with mental illness in the Lompoc housing market area and insure its long term affordability. County administrative activities related to project development are eligible for reimbursement by the HOME program under the 10% set aside for administration activities. This proposed action allocates for specific use funding contained in the adopted 04-05 budget.

Part 92, Section 503 (b) of the Federal HOME program regulations state that any funds invested in housing that do not meet affordability requirements for the period specified in the regulations must be repaid by the participating jurisdiction (the County). It is possible that if the project were to fail, the County could be liable to repay the amount of the loan. It is important, however, to note that County staff conducted detailed underwriting including risk analysis for the project.

The potential risk to the County if the project should fail is minimal. Staff has reviewed the total debt on the property and the appraised value is significantly higher than the total debt thus County can easily recapture its funds in the event that the project fails. It is a condition of the loan that the Staff has performed the due diligence in reviewing this loan prior recommending approval to the Affordable Loan Committee.

**Special Instructions:**

None

**Concurrence:**

County Counsel  
Auditor-Controller